97-84242-2

Barrows, Henry D.

The money paradox

[S.l.]

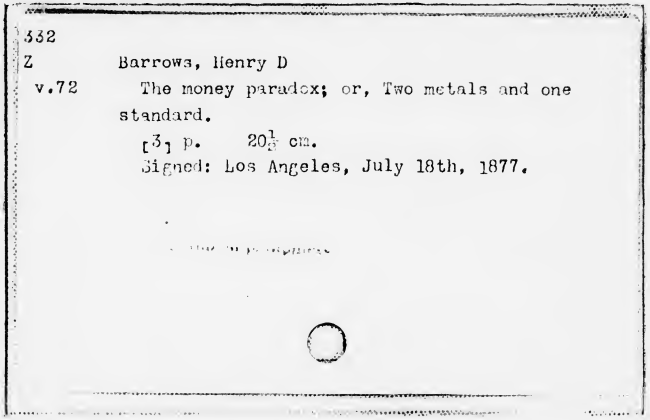
[n.d.]

97-84292-2
MASTER NEGATIVE #

COLUMBIA UNIVERSITY LIBRARIES
PRESERVATION DIVISION

BIBLIOGRAPHIC MICROFORM TARGET

ORIGINAL MATERIAL AS FILMED - EXISTING BIBLIOGRAPHIC RECORD



332
Z Barrows, Henry D
v.72 The money paradox; or, Two metals and one standard.
[3] p. 20½ cm.
Signed: Los Angeles, July 18th, 1877.

RESTRICTIONS ON USE: *Reproductions may not be made without permission from Columbia University Libraries.*

TECHNICAL MICROFORM DATA

FILM SIZE: 35MM REDUCTION RATIO: 10:1 IMAGE PLACEMENT: IA (IIA) IB IIB

DATE FILMED: 11-11-97 INITIALS: PB

TRACKING # : 29531

FILMED BY PRESERVATION RESOURCES, BETHLEHEM, PA.

P23
1

LIBRARY OF
THE REFORM CLUB
SOUND CURRENCY COMMITTEE,
52 William St., New York.

THE MONEY PARADOX.

OR

Two Metals and One Standard.

332
172

The world is perplexed over a monetary problem, the conditions of which may be outlined with tolerable clearness by the following apparently contradictory statements: On the one hand we see that mankind for a thousand generations have persisted in using *two metals* as money; and that there is little likelihood that they can ever be altogether diverted from a custom so universal and so ancient.

On the other hand, the *Doctrinaires* tell us, and they tell us truly, that a Double Standard, (or what is the same thing, two standards of variable value) in the same monetary system, is an illusion and an impossibility. They assert what there is no need of proving, because it is a self-evident proposition, that it is just as impossible for human power to maintain a constant or invariable relation of value between two commodities, as it would be to limit or regulate the ebb and flow of the tides.

On the one hand the common sense of mankind and immemorial practice concurrently insist that *two metals*, as money, (both on account of their greater stability and wider usefulness), are a necessity; whilst on the other, *unity of standard* is alike the inexorable demand of the philosophers and the practical necessity of every monetary system. From whence it becomes apparent that the problem under consideration is a serious one, and seems well-nigh insoluble. It has long attracted the attention of the civilized world, and is still apparently as far from a satisfactory solution as ever. It is variously denominated the "silver problem," "the question of the double or the single standard," etc., but the *real puzzle* of the whole matter may be summed up in the query—"How can *two metals* be used in the same system as money, without having *two measures of value?*"

Various contrivances or subterfuges at various periods have been pressed into service by different nations, for the purpose of obviating the difficulties that surround this perplexing subject, but generally with very unsatisfactory and confusing results, the most common being, 1st: The use of one of the metals as a standard, and of the other as subsidiary to it; 2d: The adoption (theoretically) of *both* metals, *each* as a standard, and the non-coinage of one, of full weight, or, its coinage *short*, and also *debased*, in order to keep it from the melting-pot, if up, and if down, from falling to a discount, (because scarce), which, after all, makes one metal, whatever the theory, merely subsidiary to the other, thereby resulting, though by indirection, in the single standard; 3d: The adoption of the so-called unlimited double standard, which means also finally, a juggling alternative single standard—worst of all, and generally abandoned or modified as more or less impracticable by those nations attempting to use it.

The German economists, appreciating the incongruities of these various theories, succeeded in persuading the German government to adopt the Single Gold

Standard as the sufficient and final solution of all these difficulties.

But has the wisdom of Germany's course been justified by the result? Is her solution of the problem the true one?

In turning to the past we see, not without a sort of dramatic interest, how many grave problems, and sometimes, apparently insoluble paradoxes, (e. g., the revolution of the earth on its axis, and others,) which mankind have wrestled with for ages, have at last melted into grand universal truths, wherein all the apparent contradictions were happily harmonized. And we cannot altogether restrain our wonder that men should so long have missed the true solution of questions that seem so plain and simple to us to-day.

Our forefathers, a hundred years ago, were forced to answer the political question: How can *thirteen* nations be made *one* nation? Or, how can *unity* be evolved from multiplicity? For the issue then was, *unity* or *chaos*. Their answer may be indicated in the simple words which they adopted as the motto of their new-born nation: *E Pluribus Unum* or *One from Many*,—which expressed a profound philosophic truth.

The aspiration of the German and other monometalists for *a single monetary standard*, is legitimate and consonant with sound philosophy. The demand for *unity of national authority*, (as a condition precedent to the very existence of national life), cannot be more imperative than the necessity for *unity of standard* in every monetary system. But in order to attain that unity, is it necessary to discard one of the precious metals as money? Because we have two eyes must we necessarily see double, or because we have two ears must we hear double? As there are many points of, not merely fanciful, but real, analogy between the *political problem*, (of the evolution of unity of national authority), in Germany and elsewhere, which was practically and satisfactorily settled long ago, and the *monetary problem*, (of the evolution of a single standard,) not yet settled there nor anywhere, will not the method of solution of the former afford some useful clue that will aid in the practical solution of the latter?

Because there were formerly grave conflicts of authority and power between the Emperor and the Reichstag, or Parliament, did the German political theorists conclude, that, as the exercise of a divided and unlimited authority by two bodies or agents in the State would be intolerable and must result in chaos and disintegration, therefore, the only possible mode of securing unity would be to discard or abolish the Parliament, leaving the Emperor, or Kaiser, as the sole representative of the national will? Whether (if no other mode had suggested itself to them of securing the unity sought), they would have adopted such a course or not, it is unnecessary to inquire; they settled the question, in fact, by an entirely different method.

Instead of going to the one extreme, (corresponding to the course adopted by the Latin Union in the money problem), of conceding unlimited power to whichever representative of the national will, might, for the time being, be the most powerful: or of falling into the other extreme of adopting a single branch of the government as the sole exponent of authority, (answering to their own policy lately in their attempts to solve the money problem), they took the more rational course of restricting the functions and powers of each branch to its proper sphere, and thus derived from them all, a combined or composite, but clearly defined, unity of authority, based on the concurrence of all the several agents of the national will.

Why cannot the monetary theorists, by analogous methods, deduce a single standard of value based on two metals?

By fusing gold and silver in one mass and coining the mixture, it is easy enough to see, that a single composite standard is thus derivable, not only from a duality but—if need be—from a multiplicity of metals. But as in the political problem, above referred to, the functions of the several agents were exercised *separately*, for good reasons, and not in convention or fusion, so, for like good reasons in forming a combined single standard from both the representative measures of value, gold and silver, it is better to keep each metal separate and intact, as silver especially has many uses apart from its use in conjunction with gold.

If, then, the use of two metals in the same system is compatible with a single standard by *fusion*, in definite proportions, it is obvious that a like result is equally attainable by the operation of the same principle, *without* fusion. Therefore, if the proposition, as I claim, can be successfully and satisfactorily substantiated that, *it is possible to use two or more metals or commodities of intrinsic value, as money, and yet have but one or a single ultimate standard of value*, then I hold the whole question is solved. If the incongruities and absurdities of two variable and conflicting standards can be eliminated from bi-metalic money, by evolving a combined and proportionate single standard of measurement from the dual bases, then all the world, including the most rigorous mono-metalists themselves, it seems to me, must concede that money based on two metals better meets the necessities of mankind than money based on a *single* metal, especially as the one sought to be thrown out is used as money by at least three-fourths of the human race.

If it be possible from many States to form, by a subtle bond of union, a combined Nation, in which the integrity of each State is preserved intact, is it not also possible to form a single standard from two metals, and that without fusion?

If the maxim *E Pluribus Unum* has helped to solve a great political problem, why may not the principle embodied in the words, no less true, *E Duobus Unum*, serve as a possible solution of the monetary problem that has so long puzzled the world?

Many other analogies might be cited to illustrate the principle I have tried to explain, as well as the feasibility of its practical application. But I desire to call attention to one that seems to me peculiarly pertinent, and which illustrates one phase of the money question that seems to me of fundamental importance.

Any judicial system that might be devised, which established or included more than one Court, would be incongruous and incoherent—in fact, it would be organized chaos, and would result in endless confusion—if it did not provide a Court of last appeal, where all questions and all contradictions that might arise in the subordinate Courts, should be finally and authoritatively resolved and determined.

So, it seems to me, a true theory of money requires that every monetary system shall have a well-defined, ultimate single standard, into which all forms of measurement that the system recognizes, (whether they be those of the two intrinsic metals themselves in their separate capacities, or of tokens, or of the numberless paper substitutes that are used to represent money), may at last be resolved.

It is only by such a theory that any monetary system can be made homogeneous and its incongruities and contradictions, otherwise fatal, can be eliminated, And will any one pretend to deny that a standard consisting of *nine-tenths* gold coin and *one-tenth* silver coin, is as perfect a single standard as one consisting wholly, or ten-tenths, of either one of those metals alone? Do we not see the principle exemplified, though imperfectly, daily, in California, by the actual use of every conceivable combination of the two coins, as a standard in the payment of debts, from 1 per cent. of silver and 99 per cent. of gold, to 1 per cent. of gold and 99 per cent. of silver?

Finally, does it not conclusively appear from the analogies I have adduced above, that the assumption that a single standard with two metals, is only possible by throwing out one of the metals as real money or reducing it to the status of a token, is untenable; and that those nations that have acted on it have committed a grave mistake, as is abundantly shown by the serious disturbances their course has caused throughout the monetary world?

H. D. BARROWS.

Los Angeles, July 18th, 1877.

END OF
TITLE